

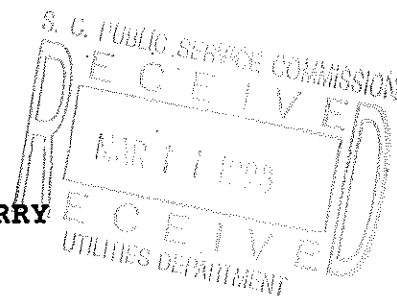
1                                   **TESTIMONY OF JACQUELINE R. CHERRY**

2                                   **FOR**

3                                   **THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

4                                   **DOCKET NO. 98-001-E**

5                                   **IN RE: CAROLINA POWER & LIGHT COMPANY**



6  
7           **Q.   WOULD YOU PLEASE STATE FOR THE RECORD, YOUR NAME,**  
8                   **ADDRESS   AND OCCUPATION?**

9           **A.   My name is Jacqueline R. Cherry. My business address**  
10                   **is 111 Doctors Circle, Columbia, South Carolina. I am**  
11                   **employed by the Public Service Commission of South**  
12                   **Carolina, Accounting Department, as an fiscal**  
13                   **analyst/utilities accountant.**

14           **Q.   WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND**  
15                   **AND YOUR BUSINESS EXPERIENCE?**

16           **A.   I received a B.S. Degree in Business Administration,**  
17                   **with a major in Accounting from Johnson C. Smith**  
18                   **University in 1976. I was employed by this Commission**  
19                   **in February 1979, and have participated in cases**  
20                   **involving gas, electric, telephone, water and**  
21                   **wastewater utilities.**

22           **Q.   WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING**  
23                   **CAROLINA POWER & LIGHT COMPANY?**

24           **A.   The purpose of my testimony is to set forth, in**  
25                   **summary form, the Staff's findings, and**

1 recommendations resulting from our review of the  
2 Company's fuel adjustment clause operation for the  
3 period January 1997 through March 1998. These  
4 findings and recommendations are set forth in detail  
5 in the Staff's report.

6 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

7 **A.** The Accounting Department Staff traced the fuel  
8 information, as filed in the Company's required  
9 monthly filing, to the Company's books and records.  
10 The audit covered the period January 1997 through  
11 December 1997. The purpose of the audit was to  
12 determine if Carolina Power & Light Company had  
13 computed and applied the monthly Fuel Adjustment  
14 Clause in accordance with the approved clause. To  
15 accomplish this, Staff examined the components  
16 surrounding the operation of the clause.

17 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE**  
18 **SCOPE OF THE AUDIT?**

19 **A.** The examination consisted of the following:

- 20 1. An Analysis of Account # 151, Fuel Stock
- 21 2. Sample of Receipts to the Fuel Stock Account,  
22 Account # 151
- 23 3. Verification of Charges to Nuclear Fuel  
24 Expense, Account # 518

- 1                   4. An Analysis of Purchased Power and Interchange
- 2                         (Net)
- 3                   5. Verification of KWH Sales
- 4                   6. A Comparison of Coal Costs
- 5                   7. Recomputation of Fuel Costs Adjustment Factor,
- 6                         and Verification of Deferred Fuel Costs
- 7                   8. Recomputation of True-up for Over/Under -
- 8                         Recovered Fuel Costs
- 9                   9. Analysis of Spot Coal Purchasing Procedures

10       Q. MRS. CHERRY, PLEASE WOULD YOU ELABORATE ON THE SCOPE  
11       OF YOUR EXAMINATION?

12       A. Staff's analysis of the Fuel Stock Account  
13       consisted of tracing receipts and issues from the  
14       Fuel Management System by month to the General  
15       Ledger. Staff's sample of receipts to the Fuel Stock  
16       Account consisted of randomly selecting transactions,  
17       tracing each of these transactions to a waybill and a  
18       purchase order for documentation purposes, and  
19       recalculating the transactions to insure mathematical  
20       correctness. Staff verified nuclear fuel expense  
21       amounts to the Company's General Ledger. The expenses  
22       were also verified to the monthly fuel reports filed  
23       by the Company with this Commission. Staff performed  
24       an examination of the Company's purchased power and  
25       interchange amount used in the Fuel Adjustment Clause

1           for the period January 1997 through December 1997.  
2           Staff obtained the details of purchases and sales made  
3           by Carolina Power & Light Company to and from other  
4           electric utilities and verified the amounts which are  
5           being used in computing total fuel cost for each  
6           month. Furthermore, in accordance with PSC Order No.  
7           90-961, Docket No. 90-4-E, dated October 18, 1990,  
8           Staff was specifically directed to examine the  
9           Company's nonfirm, off-system sales to preclude any  
10          possible problems in this area and to include language  
11          in its audit procedures to address these matters.  
12          Accordingly, Staff traced the sales and purchases  
13          transactions for January 1997 through December 1997 to  
14          the Company's monthly sales and purchases invoices.  
15          Staff recomputed all of the sales and purchases. In  
16          accordance with Public Service Commission Order No.  
17          90-961, Docket No. 90-4-E, dated October 18, 1990,  
18          Staff will continue to review the Company's nonfirm,  
19          off-system transactions during future audits.  
20          Staff's review of KWH sales included verification of  
21          total system sales as filed in the monthly factor  
22          computation. Staff prepared exhibits from Carolina  
23          Power & Light Company's books and records reflecting  
24          coal costs during the review period. Specifically,  
25          these exhibits are as follows:

1                   Exhibit A - Coal Cost Statistics (and Weighted  
2                                   Average of Coal Received)

3                   Exhibit B - Received Coal - Cost Per Ton Per Plant

4                   Exhibit C - Received Coal- Cost Per Ton Comparison

5 With reference to Exhibit A, Coal Cost Statistics,  
6 Staff has reflected a detailed analysis of spot and  
7 contract coal for the twelve-month period January 1997  
8 through December 1997. The detail gives emphasis to  
9 tons received, cost per ton received, total received  
10 cost, percentage of tons received and cost per MBTU.  
11 Also, in Exhibit A, the Weighted Average of Coal  
12 Received is reflected for the twelve-month period. In  
13 Exhibits B and C, Staff reflects a comparison of coal  
14 costs on a per ton basis. Exhibit B is a comparison  
15 between Carolina Power & Light's plants and Exhibit C  
16 is a comparison between companies.  
17 Staff analyzed the cumulative under-recovery of fuel  
18 costs that the Company had incurred for the period  
19 January 1997 through December 1997, totaling  
20 \$6,212,396. Staff added the projected over-recovery  
21 of \$96,840 for the month of January 1998, the  
22 projected over-recovery of \$213,819 for the month of  
23 February 1998, and the projected over-recovery of  
24 \$269,832 for the month of March 1998 to arrive at an  
25 cumulative under-recovery of \$5,631,905 as of March

1 1998. The Company's cumulative under-recovery, per  
2 its testimony in Docket No. 98-001-E, as of December  
3 1997 totals \$6,294,274 and as of March 1998 the  
4 cumulative under-recovery totals \$5,713,783. The  
5 difference between the Company's and the Staff's  
6 cumulative under-recovery as of actual December 1997  
7 and as of estimated March 1998 is \$81,878. The  
8 cumulative difference as of December 1997 of \$81,878  
9 is based on Staff's calculation adjustments to the  
10 Company's Purchased Power Costs for January 1997  
11 through December 1997 (per Staff's report), after  
12 Staff reviewed the Company's Purchased Power invoices  
13 and reports.

14 As stated in Carolina Power & Light's S.C. Retail  
15 Adjustment for Fuel Costs Rider, fuel costs will be  
16 included in base rates to the extent determined  
17 reasonable and proper by the Commission. Accordingly,  
18 the Commission should consider the under-recovery of  
19 \$5,631,905 along with the anticipated fuel costs for  
20 the period April 1, 1998 through March 31, 1999, for  
21 the purpose of determining the base costs of fuel in  
22 base rates effective April 1, 1998. The \$5,631,905  
23 under-recovery figure was provided to the Commission's  
24 Utilities Department. Refer to Exhibit G, South  
25 Carolina Fuel Costs Computation, for details of the

1 under-recovery computation.

2 Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE ACCOUNTING  
3 DEPARTMENT'S AUDIT?

4 A. Based on the Staff's examination of Carolina Power &  
5 Light Company's books and records, a comparison of  
6 fuel costs among utilities, and the utilization of the  
7 fuel costs recovery mechanisms as directed by this  
8 Commission, the Accounting Department is of the  
9 opinion that the Company has complied with the  
10 directives of the Commission.

11 Q. MRS. CHERRY, WOULD YOU IDENTIFY THE REMAINING  
12 EXHIBITS CONTAINED IN YOUR REPORT WHICH HAVE NOT  
13 BEEN IDENTIFIED?

14 A. The exhibits are as follows:

15 Exhibit D - Coal Fuel Stocks - Number of Days of  
16 Supply (All Plants)

17 Exhibit E - Total Burned Costs (Fossil and Nuclear)

18 Exhibit F - Cost of Fuel

19 Exhibit G - S.C. Fuel Costs Computation

20 Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?

21 A. Yes, it does.  
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23  
24  
25